



# California Public Utilities Commission

505 Van Ness Avenue, San Francisco, CA 94102

## News Release

June 19, 2003

Docket #: R.01-10-024

Media Contact: PUC Press Office – 415.703.1366 – [news@cpuc.ca.gov](mailto:news@cpuc.ca.gov)

### **PUC SETS STAGE FOR A GREENER CALIFORNIA**

The California Public Utilities Commission (PUC) today took initial steps to implement the California Renewables Portfolio Standard (RPS) program established by Senate Bill (SB) 1078.

The goal of the RPS program is for 20 percent of California's energy to come from renewable energy sources. To reach that goal, the legislation requires California's investor-owned utilities (IOU) to increase their procurement of renewable energy by at least one percent per year. The Legislature found that increasing California's reliance on renewable energy resources would have significant economic, social, health, and environmental benefits.

SB 1078 requires the Commission to adopt by June 30 the major components of the RPS implementation, including the following:

- 1) **Market Price Benchmarking:** The decision adopts a process for determining the market price of electricity, or what the IOUs would pay if they weren't purchasing renewable power. Using data from the Energy Resources Conservation and Development Commission (CEC) as a starting point, staff from the PUC and CEC will develop, in a public process, estimates for baseload and peaking energy products. Bids from renewable generators will be compared to these estimates to determine their cost-effectiveness. The future cost of natural gas will play an important part in these estimates.
- 2) **Least Cost and Best Fit:** The decision establishes criteria for the ranking and selection of renewable bids, based on a combination of cost to the ratepayer and fit with the IOU's resource needs. RPS procurement will be based on an annual RPS plan made public by the IOU, which will allow renewable bidders to develop products that best fit the IOU's needs. Costs and benefits to the transmission system, local and system reliability, low income and

minority communities, environmental stewardship, and resource diversity will also be considered.

- 3) **Flexible Rules for Compliance:** The decision outlines flexible rules for compliance with the RPS that allow the IOUs to “bank” excess procurement in one year to satisfy future targets, or “borrow” procurement from future solicitations, on a limited basis, to cover an annual shortfall. These annual procurement targets apply to the IOU regardless of need. If an IOU fails to procure sufficient renewable energy, even with these flexible compliance mechanisms in place, penalties of 5 cents per kWh of shortfall will be imposed by the Commission.
- 4) **Standard Contract Terms and Conditions:** The decision adopts standard terms and conditions to be used by all electrical corporations in contracting for eligible renewable energy resources, including performance requirements for renewable generators. However, recognizing that substantial work remains to be done before the specific parameters of the terms and conditions can be developed to the satisfaction of all parties, the Commission directs parties to negotiate further, on an expedited schedule. The Commission also directs the IOUs to renegotiate existing wind contracts to encourage expansion of this low-cost resource.

Today’s decision finds that RPS obligations are imposed regardless of IOU credit status. While renewable purchases cannot be ordered until the IOU is creditworthy, annual purchase obligations will accrue. No penalties will be assessed until creditworthiness is achieved.

There is still significant work to do in the short-term in implementing SB 1078, particularly in the areas of the market price referent, standard contract terms and conditions, and confidentiality. To meet statutory requirements and allow further party comment, as well as to provide a more focused forum for the issues that require further development, the Commission will open a new rulemaking.

Today’s decision also recognizes the vision of the Energy Action Plan of the PUC, CEC, and Consumer Power and Conservation Financing Authority (CPA) to accelerate more renewable development sooner than SB 1078 requires. For more information on today’s decision, please visit the PUC’s website at [www.cpuc.ca.gov](http://www.cpuc.ca.gov). # # #